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CENTRAL INTELLIGENCE AGENCY

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9 December 1948

INTELLIGENCE MEMORANDUM NO. 97

SUBJECT: Current Considerations affecting Argentine Foreign Policy

The Argentine government is confronted with a crisis in its relations with the US at a time when domestic economic problems, including inflation and low productivity, threaten to produce internal political difficulties. The crisis arises from an acute shortage of dollar exchange. Having used up its large post-war dollar balances on the mistaken assumption that between 400 million and one billion dollars would be forthcoming from ECA purchases, Argentina has been, since June 1948, technically in default to US firms on over 400 millions of dollar obligations. In the absence of US aid, this would mean curtailment of Peron's industrialization plan, a politically costly move from his point of view. Since needed equipment is currently obtainable from the US alone, Peron must weigh domestic political considerations against possible concessions to the US, which concessions would be limited by Peron's domestic commitments to a nationalist-influenced foreign policy.

Peron's concern for the political and economic position of his government indicates that if he decides US aid will be forthcoming on terms that will justify the sacrifice of his anti-US political support, the US may expect, for a considerable period, some abatement of anti-US activities in Argentina as well as increased cooperation in international activities.

If, on the other hand, Peron decides that US terms for easing of the dollar shortage are unacceptable, there are numerous indications that he will endeavor to insure the continuation of his regime through crisis measures including tactics designed to facilitate acceptance of authoritarian controls, demagogic appeals to anti-US sentiment at home and abroad, and intensification of bilateral and state-controlled trade practices. In the absence of a new understanding with the US, the Argentine government may also be expected, over the longer term, to allow the

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tempo of the industrialization program to slacken while continuing its attempt to build up Argentina as a leader of a Hemisphere bloc that would oppose US plans in the Hemisphere and stress independent action in world affairs.

It is estimated that the present Argentine government could, even in the absence of a solution for the dollar problem, remain in power for at least one year.

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